SETSOTO LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2009

	Note	Housing Development Fund	Capital Replacement Reserve	Government Grant Reserve	Public Donation and Contribution Reserve	Revaluation Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R	R	R	R	R	R	R
Balance at 30 June 2007		271,810	590,580	139,180,665	59,307		140,102,362	(788,005)	141,296,542
Changes in accounting policy							-		-
Correction of prior period error							-	(52,638)	(52,638)
Restated balance		271,810	590,580	139,180,665	59,307	-	140,102,362	(840,643)	141,243,904
Surplus / (deficit) on revaluation of property of property, plant and equipment							-		-
Property, plant and equipment purchased			(1,484,135)				(1,484,135)	1,484,135	-
Capital grants used to purchase PPE				132,396,431			132,396,431	(132,396,431)	
Contribution for the year			1,484,135				1,484,135	(1,484,135)	
Offsetting of depreciation				(11,821,192)	(5,672)		(11,826,864)	11,826,864	-
Net gains and losses not recognised in the statement of financial performance							-		-
Transfers to / from accumulated surplus/(deficit)							-		-
Surplus / (deficit) for the period							-	147,509,930	147,509,930
Balance at 30 June 2008		271,810	590,580	259,755,904	53,635	-	260,671,929	26,099,720	288,753,834
Changes in accounting policy									
Correction of prior period error	37		(590,580)	(259,755,904)	(53,635)		(260,400,119)	270,844,224	10,444,105
Restated balance		271,810	-	-		-	271,810	296,943,944	299,197,939
Surplus / (deficit) on revaluation of property of property, plant and equipment							-		-

Property, plant and equipment purchased			(2,042,567)				(2,042,567)	2,042,567	
Capital grants used to purchase PPE				37,777,736			37,777,736	(37,777,736)	
Contribution for the year			2,042,567				2,042,567	(2,042,567)	
Offsetting of depreciation				(20,978,600)	(5,672)		(20,984,272)	20,984,272	
Net gains and losses not recognised in the statement of financial performance							-	17,932,240	17,932,240
Transfers to / from accumulated surplus/(deficit)				(16,759,135)	5,672		(16,793,463)	16,793,463	-
Surplus / (deficit) for the period							-	46,047,436	46,047,436
Balance at 30 June	**2009**	**271,810**	-	**0**	-	-	**271,810**	**360,923,620**	**363,177,615**

SETSOTO LOCAL MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2009

		Note	2009	2008
			R	R
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts			212,190,528	210,214,269
	Taxation			
	Sales of goods and services		94,230,829	
	Grants		115,491,522	193,119,546
	Interest received		14,123	17,094,723
	Other receipts		2,454,054	
Payments			219,028,234	68,212,412
	Employee costs		70,036,114	
	Suppliers		144,813,331	63,557,664
	Interest paid		4,178,788	4,654,748
	Other payments			
Net cash flows from operating activities		33	(6,837,706)	142,001,857
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets			(62,030,011)	(140,625,186)
Proceeds from non-cash fixed assets donation			57,752,543	
Proceeds from non-current receivables			3,573	3,572
Proceeds from non-current investments			(53,315)	376,501
Proceeds from call investments			183,098	(1,049,450)
Net cash flows from investing activities			(4,144,112)	(141,025,768)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings			5,139,560	6,728,734
Repayment of borrowings			(3,196,407)	(3,312,340)
Proceeds from finance lease liability				200,885
Repayment of finance lease liability			(1,184,122)	(660,309)
Net cash flows from financing activities			759,031	2,956,971
Net increase / (decrease) in net cash and cash equivalents			(10,222,787)	3,933,061
Net cash and cash equivalents at beginning of period			(4,369,107)	(8,302,168)
Net cash and cash equivalents at end of period		34		(4,369,107)

	(14,591,894)

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective from the 01 July 2009 and have been adopted by the municipality subject to clause 1.1 above (Transitional provisions)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.3 **COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

2. **PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

3. **GOING CONCERN ASSUMPTION**

These annual financial statements are prepared on the going concern basis. Although the Council receive Equitable Share from Government, it is being recognised as income to support the poor and indigent households, as part of Governments national guidline. The assumption is that the municipality will continue to operate as a going concern for at least the next 12 months.

4. **HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans form National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia,* Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC resposible for housing.

5 **PROPERTY, PLANT AND EQUIPMENT (PPE)**

5.1

The 2008/09 accounting policy regarding property, plant and equipment transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions granted according Directive 4.

5.2 PPE is stated:

- At cost less accumulated depreciation, or
- Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the

uncertainty regarding their estimated useful lives.

- Similarly, land is not depreciated as it is deemed to have an indefinite life.

5.3 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

5.4 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

5.5 The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R7 500 per item of PPE. Where the value of bulk purchases of PPE with values of less than R 7 500 per item, these items are recognised as PPE in the Statement of Financial Position.

5.6 **Depreciation and impairment losses**

5.6.1 Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives, calculated on a full month completion:

	Years		Years
Infrastructure		**Other**	
Roads	10-30	Buildings	30
Electricity	20-30	Specialist vehicles	20
Water	15-20	Motor vehicles	5-7
Sewerage	15-20	Office equipment	3-7
		Furniture and fittings	7-10
Community		Emergency Equipment	5-15
Buildings	30	Plant and equipment	2-5
Recreational Facilities	20	Specialised plant and equipment	10-15
Security measures	3-5		

5.5.2 Incomplete construction work is stated at historic cost. Depreciation commences when the asset is capitalised.

5.6.3 The carrying amount of an item or a group of identical items of PPE is reviewed periodically in order to assess whether or not the recoverable amount has impaired below the carrying amount. When such an impairment has occurred, the carrying amount is reduced to the recoverable amount. The amount of the impairment is recognised as an expense immediately, unless it reverses a previous revaluation, in which case it is charged to the revaluation non distributable reserve.

5.7 **Disposal and retirement of assets**

- Assets are written off on disposal or retirement.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6. **REVALUATION OF LAND AND BUILDINGS**

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings. No revaluation of assets was done in 2008/2009 and advantage was taken of the transitional provisions granted in terms of Directive 4.

7. **INVENTORIES**

The 2008/09 accounting policy regarding inventory transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions of Directive 4.

Consumable stores and maintenance materials are valued at the lower of cost, determined on the weighted average cost basis, and net realisable value. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventories to its present location and condition.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

8. **FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities must initially be recognized at cost.

The 2008/09 accounting policy regarding financial instrument transactions is consistent with that applied in the 2007/08 financial year.

8.1 **Investments**

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

The municipality may have the following types of financial instruments.

- **Held to maturity (HTM) investments** are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.

- **Loans and receivables** are financial assets that are created by providing money, goods or services directly to a debtor.

INITIAL MEASUREMENT of financial instruments **is at cost, which is the fair value** of the consideration given. The fair value is usually the transaction price or market price. **Transaction costs** are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets.

HTM investments and **loans and receivables originated by the entity and not held for trading** are subsequently recognised at amortised **cost using the effective interest rate method. Amortised cost** is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.3 Accounts Receivable

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off in accordance with the council credit control policy, during the year in which they are identified.

8.4 Trade Creditors

Trade creditors are stated at their nominal value.

8.5 Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents compromise cash on hand, deposits held on call with banks and cash investments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

9. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following provision is set for the creation and utilisation of this creditor.

- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants

10. **VALUE ADDED TAX**

The Council accounts for Value Added Tax on the cash basis.

11. **REVENUE RECOGNITION**

Revenue shall be measuredat the fair value of the consideration received or receivable.

The 2008/09 accounting policy regarding revenue transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions of Directive 4.

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

11.1 **Revenue from Exchange Transactions**

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized as these services are used by consumers.

Sanitation charges are levied monthly at a flat rate based on the location of the property and the number of connections using the tariffs approved from Council.

Refuse charges are levied monthly at a flat rate based on the zoning of the site, using the tariffs approved from Council.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Income in respect of housing rental and instalments are accrued monthly in advance.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance.

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

11.2 Revenue from non-exchange transactions

Revenue from rates is recognized, when the legal entitlement to this revenue arises. A Differential Rating system is applied: in terms of this system assessment rates are levied on the land and improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summonse is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are available for use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain.

12. **CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

13. **PROVISIONS**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

13.1. *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The accrual is based on the total amount of accumulated leave days due to employees at year end and also on the basic salary of the employee.

13.2 *Provision for bonuses*

The Municipality makes provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year.

13.3 **Provision for the rehabilitation of landfill sites**

Provision for Landfill sites are made by Council, in the extent that the amount provided will be sufficient to rehabilitate the site in full when the site reaches its capacity.

13.4 **Provision for removal of alien vegetation**

No provision for alien vegetation are made by Council during the year.

14. **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 **LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

18 **BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalization of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalize borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognized as an expense in surplus or deficit when incurred.

19 **RETIREMENT BENEFITS**

The 2008/09 accounting policy regarding retirement benefit transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions of Directive 4.

19.1 *Pension / Retirement Fund*

The Council and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to employees or councillors.

A provision is made for the best estimate of the current cost of gratuities payable to employees that were not previously members of a pension fund.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

19.2 *Medical Aid: Continued Members*

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and Council for the remaining 70% or 60%. Council adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

These contributions are charged to the operating account when paid. In addition Council will contribute annually for the next 15 years towards funding the obligations, which could arise to pay for the future medical costs of employees and retirees.

20 GRANTS-IN-AID

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, Council does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

21 ROUNDING

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

SETSOTO LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

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1.3 **COMPARATIVE INFORMATION**

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- Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives.
- Similarly, land is not depreciated as it is deemed to have an indefinite life.

5.3 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

5.4 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

5.5 The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R7 500 per item of PPE. Where the value of bulk purchases of PPE with values of less than R 7 500 per item, these items are recognised as PPE in the Statement of Financial Position.

5.6 <u>Depreciation and impairment losses</u>

5.6.1 Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives, calculated on a full month completion:

	Years		Years
Infrastructure		**Other**	
Roads	10-30	Buildings	30
Electricity	20-30	Specialist vehicles	20
Water	15-20	Motor vehicles	5-7
Sewerage	15-20	Office equipment	3-7
		Furniture and fittings	7-10
Community		Emergency Equipment	5-15
Buildings	30	Plant and equipment	2-5
Recreational Facilities	20	Specialised plant and equipment	10-15
Security measures	3-5		

5.6.2 Incomplete construction work is stated at historic cost. Depreciation commences when the asset is capitalised.

5.6.3 The carrying amount of an item or a group of identical items of PPE is reviewed periodically in order to assess whether or not the recoverable amount has impaired below the carrying amount. When such an impairment has occurred, the carrying amount is reduced to the recoverable amount. The amount of the impairment is recognised as an expense immediately, unless it reverses a previous revaluation, in which case it is charged to the revaluation non distributable reserve.

5.7 <u>Disposal and retirement of assets</u>

- Assets are written off on disposal or retirement.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6. **REVALUATION OF LAND AND BUILDINGS**

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings. No revaluation of assets was done in 2008/2009 and advantage was taken of the transitional provisions granted in terms of Directive 4.

7. **INVENTORIES**

The 2008/09 accounting policy regarding inventory transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions of Directive 4.

Consumable stores and maintenance materials are valued at the lower of cost, determined on the weighted average cost basis, and net realisable value. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventories to its present location and condition.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

8. **FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities must initially be recognized at cost

The 2008/09 accounting policy regarding financial instrument transactions is consistent with that applied in the 2007/08 financial year.

8.1 **Investments**

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

The municipality may have the following types of financial instruments.

- **Held to maturity (HTM) investments** are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.

- **Loans and receivables** are financial assets that are created by providing money, goods or services directly to a debtor.

INITIAL MEASUREMENT of financial instruments is **at cost, which is the fair value** of the consideration given. The fair value is

usually the transaction price or market price. **Transaction costs** are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets.

HTM investments and **loans and receivables originated by the entity and not held for trading** are subsequently recognised at **amortised cost using the effective interest rate method. Amortised cost** is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.3 Accounts Receivable

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off in accordance with the council credit control policy, during the year in which they are identified.

8.4 Trade Creditors

Trade creditors are stated at their nominal value.

8.5 Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents compromise cash on hand, deposits held on call with banks and cash investments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

9. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following provision is set for the creation and utilisation of this creditor:

* Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as

revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

10. **VALUE ADDED TAX**

The Council accounts for Value Added Tax on the cash basis.

11. **REVENUE RECOGNITION**

Revenue shall be measuredat the fair value of the consideration received or receivable.

The 2008/09 accounting policy regarding revenue transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions of Directive 4.

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

11.1 **Revenue from Exchange Transactions**

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized as these services are used by consumers.

Sanitation charges are levied monthly at a flat rate based on the location of the property and the number of connections using the tariffs approved from Council.

Refuse charges are levied monthly at a flat rate based on the zoning of the site, using the tariffs approved from Council.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Income in respect of housing rental and instalments are accrued monthly in advance.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

11.2 Revenue from non-exchange transactions

Revenue from rates is recognized, when the legal entitlement to this revenue arises. A Differential Rating system is applied. In terms of this system assessment rates are levied on the land and improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summonse is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are available for use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria,

conditions or obligations have not been met a liability is recognised.

13. **PROVISIONS**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

13.1. ***Accrued Leave Pay***

Liabilities for annual leave are recognised as they accrue to employees. The accrual is based on the total amount of accumulated leave days due to employees at year end and also on the basic salary of the employee.

13.2 ***Provision for bonuses***

The Municipality makes provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year.

13.3 **Provision for the rehabilitation of landfill sites**

Provision for Landfill sites are made by Council, in the extent that the amount provided will be sufficient to rehabilitate the site in full when the site reaches its capacity.

13.4 **Provision for removal of alien vegetation**

No provision for alien vegetation are made by Council during the year.

14. **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 **LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

18 **BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalization of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalize borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognized as an expense in surplus or deficit when incurred.

19 **RETIREMENT BENEFITS**

The 2008/09 accounting policy regarding retirement benefit transactions is consistent with that applied in the 2007/08 financial year, in accordance with the transitional provisions of Directive 4.

19.1 ***Pension / Retirement Fund***

The Council and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to employees or councillors.

A provision is made for the best estimate of the current cost of gratuities payable to employees that were not previously members of a pension fund.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

19.2 ***Medical Aid: Continued Members***

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and Council for the remaining 70% or 60%. Council adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

These contributions are charged to the operating account when paid. In addition Council will contribute annually for the next 15 years towards funding the obligations, which could arise to pay for the future medical costs of employees and retirees.

20 **GRANTS-IN-AID**

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, Council does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

21 **ROUNDING**

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	[illegible]	2008 R
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		[illegible]	8,796
Cash at bank		[illegible]	(10,307,200)
Call deposits		[illegible]	5,929,296
		[illegible]	(4,369,108)
The Municipality has the following bank accounts: -			
<u>**Current Account (Primary Bank Account)**</u>			
First National Bank - Ficksburg Branch: Account Number 62048092647			
Cash book balance at beginning of year		[illegible]	(12,751,578)
Cash book balance at end of year		[illegible]	(10,307,200)
Bank statement balance at beginning of year		[illegible]	(7,072,035)
Bank statement balance at end of year		[illegible]	(4,438,556)
<u>**Savings Account**</u>			
First National Bank - Ficksburg Branch: Account Number 62049046205			
Cash book balance at beginning of year		[illegible]	4,441,015
Cash book balance at end of year		[illegible]	5,929,296
Bank statement balance at beginning of year		[illegible]	4,160,252
Bank statement balance at end of year		[illegible]	4,441,015

Pledged Investments - Above savings account is pledged with FNB as security for the overdraft facility.

Cash on hand	[redacted]	
Total cash and cash equivalents	[redacted]	5,938,092
Total bank overdraft	[redacted]	10,307,200

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
Trade receivables	R	R	R
as at 30 June 2009	[redacted]		
Service debtors			
Rates			
Electricity			
Water			
Sewerage			
Refuse			
Current Debtors (Other)			
Total			
as at 30 June 2008			
Service debtors			
Rates	9,492,525	(4,468,971)	5,023,554
Electricity	11,547,881	(5,436,609)	6,111,272
Water	22,818,335	(10,742,608)	12,075,727
Sewerage	53,917,829	(25,383,891)	28,533,938
Refuse			
Current Debtors (Other)	48,692,730	(22,923,975)	25,768,755
Total	146,469,300	(68,956,054)	77,513,246

Rates: Ageing

Current (0 – 30 days)	[redacted]	812,337
31 - 60 Days		353,639
61 - 90 Days		338,038
91 - 120 Days		316,240
121 - 365 Days		7,672,952
+ 365 Days		

Total	[redacted]	9,493,206

Electricity, Water, Refuse and Sewerage: Ageing

Current (0 – 30 days)	[redacted]	4,274,645
31 - 60 Days	[redacted]	1,273,291
61 - 90 Days	[redacted]	1,149,261
91 - 120 Days	[redacted]	1,339,855
121 - 365 Days	[redacted]	24,390,149
+ 365 Days	[redacted]	
Total	[redacted]	32,427,201

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2009			
Current (0 – 30 days)	[redacted]		
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			
Sub-total			
Less: Provision for doubtful debts			
Total debtors by customer classification			
as at 30 June 2008			
Current (0 – 30 days)	9,014,204	647,834	158,710
31 - 60 Days	2,878,368	134,687	100,420
61 - 90 Days	2,280,278	55,792	30,040
91 - 120 Days	2,441,566	57,813	22,588
121 - 365 Days	76,827,649	838,068	378,455
Sub-total	93,442,065	1,734,194	690,213
Less: Provision for doubtful debts	(66,549,214)	(1,235,089)	(491,568)
Total debtors by customer classification	26,892,851	499,105	198,645

Reconciliation of the doubtful debt provision

Balance at beginning of the year	[redacted]	68,716,039
Contributions to provision		11,810,575
Doubtful debts written off against provision		(11,570,560)
Reversal of provision		
Balance at end of year		**68,956,054**

OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Subsidies	[redacted]	187,331
Other debtors		454,607
Prepayments (Various immaterial amounts)		65,084
Total Other Debtors		**707,022**

INVENTORIES

Closing balance of inventories:	[redacted]	**551,972**
Consumable stores		253,460
Maintenance materials: Water		132,262
Maintenance materials: Electricity		166,250

Slow moving inventory is included in the total inventory as these inventory items are regarded as emergency inventory and is not regularly available in the open market.

INVESTMENTS

Deposits	[redacted]	1,049,476
		1,049,476

NON-CURRENT RECEIVABLES

Sport Club loans	[redacted]	22,730
		22,730
Less : Current portion transferred to current receivables		(3,573)
Sport Club loans		(3,573)

Total	[redacted]	19,157

SPORT CLUB LOANS

A Loan was granted to the Squash Club for the purpose of erecting the facility and is repayable on an annual basis at 0% interest. This loan will be fully repaid in 2014. This loan was granted before the implementation of the MFMA.

INVESTMENTS

<u>Financial Instruments</u>

Fixed Deposits	[redacted]	819,478
Listed Investments	[redacted]	172,560
	[redacted]	992,038

Guarantees to Banks in respect of housing collateral investments to employees to the amount of R41 299. (2007/08 - R37 133)

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2009

8 PROPERTY, PLANT AND EQUIPMENT

The Municipality did not review the useful life or the depreciation method used on the asset recognised in the annual financial statements for the 2008/2009 financial year due to transitional provisions granted in terms of Directive 4.

Due to the process of identifying any asset that may be impaired for reporting purposes on the carrying value of the different asset categories included above could not been determined and as a result no impairment loss has been recognised in the 2008/2009 financial year. This is also due to the application of transitional provisions in terms of Directive 4.

Included in land and buildings are items that may meet the definition of investment property but have been included as Property, plant and equipment because the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of GRAP 16.

Included in Property, plant and equipment are items that meet the definition of inventory but have been included as Property, plant and equipment because the process of identifying inventory for reporting purposes. These items will be transferred to inventory once they have been identified as inventory in terms of GRAP 12.

8.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	1,797,999	25,609,073	246,716,358	2,468,522	-	3,401,235	12,487,548	292,480,735
Cost/Revaluation	1,797,999	35,630,481	385,151,981	7,246,067	-	8,797,115	20,121,599	458,745,242
Correction of error								-
Change in accounting policy								-
Accumulated depreciation and impairment losses	-	10,021,408	138,435,623	4,777,545	-	5,395,880	7,634,051	166,264,508
Acquisitions	18,187,902	-	37,883,794	-	-	361,969	5,596,346	62,030,011
Capital under Construction	-	-		-	-	-	-	-
Depreciation	-	1,568,146	20,456,289	208,820	-	945,967	2,664,198	25,843,420

Carrying value of disposals	-	-	-	-	-	(602,315)	-	(602,315)
Cost/Revaluation	-	-	-	-	-	(408,077)	-	(408,077)
Accumulated depreciation and impairment losses	-	-	-	-	-	(194,238)	-	(194,238)
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2009	**19,985,901**	**24,038,927**	**264,143,864**	**2,259,702**	-	**2,603,397**	**15,419,695**	**328,451,486**
Cost/Revaluation	19,985,901	35,630,481	423,035,775	7,246,067	-	8,751,007	25,717,945	520,367,176
Accumulated depreciation and impairment losses	-	11,591,554	158,891,911	4,986,366	-	6,147,610	10,298,249	191,915,690

Refer to Appendix B for more detail on property, plant and equipment

SETSOTO LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2008

8.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2007	1,797,999	25,912,534	127,333,009	2,680,110	-	3,204,806	6,542,393	167,470,851
Cost/Revaluation	1,797,999	34,481,810	254,278,707	7,246,067	-	7,811,457	12,545,753	318,161,793
Correction of error								
Change in accounting policy								-
Accumulated depreciation and impairment losses	-	8,569,276	126,945,698	4,565,958	-	4,606,651	6,003,361	150,690,942
Acquisitions	-	1,174,622	130,873,274	-	-	985,658	7,575,846	140,609,400
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	1,468,018	11,489,925	211,588	-	789,230	1,630,691	15,589,451
Carrying value of disposals	-	(41,837)	-	-	-	-	-	(41,837)
Cost/Revaluation	-	(25,951)	-	-	-	-	-	(25,951)
Accumulated depreciation and impairment losses	-	(15,886)	-	-	-	-	-	(15,886)
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-

as at 30 June 2008	1,797,999	25,609,073	246,716,358	2,468,522		3,401,235	12,487,548	292,480,735
Cost/Revaluation	1,797,999	35,630,481	385,151,981	7,246,067	-	8,797,115	20,121,599	458,745,242
Accumulated depreciation and impairment losses	-	10,021,408	138,435,623	4,777,545	-	5,395,880	7,634,051	166,264,508

Refer to Appendix B for more detail on property, plant and equipment

8.2 . Other information

	Note	2009 R	2008 R
Fully depreciated property, plant and equipment still in use at cost.		94,783,211	92,995,191
		94,783,211	92,995,191

The Municipality has taken advantage of the transitional provisions set out in GRAP 17 and Directive 4. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed within the time frame set in Directive 4. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done with in the time frame set in Directive 4.

Clinic assets to the book value of R911 008 are included and will be removed from the asset register once the title deed of the assets are formaly transferred to Dept. of Health. Once the municipality receives the title deed of Erf 636, Senekal as a donation from the Dept. of Public Works, the amount of R1 188 000 will be added to the asset register.